

Exhibit Q

MDOT Audit Increasing Overhead Rate



STATE OF MICHIGAN
STATE TRANSPORTATION COMMISSION
LANSING



RICK SNYDER
GOVERNOR

OFFICE OF COMMISSION AUDITS

INDEPENDENT AUDITOR'S REPORT 2011-0146 – Revised

Surveying Solutions, Inc.
Contract 2003-0132, Authorizations 2, 7, and 9
Contract 2005-0050, Authorizations 4, 5, 6, and 10

We have reviewed management's assertion that the project costs reported on invoices and other supplementary information submitted by Surveying Solutions, Inc. (SSI) are presented in accordance with the above-referenced contracts and authorizations for the period June 22, 2003 through August 31, 2007. We have also reviewed management's assertion that indirect cost rate calculations submitted by SSI for its fiscal years ended December 31, 2005 through 2009 are presented in accordance with the provisions of the above referenced contracts. SSI's management is responsible for these assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

SSI prepared the invoices and indirect cost rate calculations for the purpose of reporting costs incurred, as provided for under the terms of the above-referenced contracts and authorizations between the Michigan Department of Transportation (MDOT) and SSI. The invoices and indirect cost rate calculations are not intended to be presented in conformity with generally accepted accounting principles.

Based on our review, with the exception of the matters described in the attached revised Schedules A through C and accompanying Notes, nothing came to our attention that caused us to believe that management's assertions referred to above is not fairly stated, in all material respects, based on the terms and conditions of the above-referenced contracts and authorizations.

This report is intended solely for the information and use of MDOT and SSI and is not intended to be and should not be used by anyone other than these specified parties.

Date: November 14, 2013.

Office of Commission Audits

Office of Commission Audits
Jack Cotter, CPA
Commission Auditor

• Jerrold M. Jung, Chair • Todd A. Wyett, Vice Chair • Angelynn A. Afendoulis • Ron J. Boji • Michael D. Hayes • Charles F. Moser •

Schedule A - Revised

Surveying Solutions, Inc.
Summary of Review – Revised

Contract:	2003-0132	2003-0132	2003-0132
Authorization:	2	7	9
MDOT Job:	Various	Various	Various
SSI Job:	Various	Various	Various
Period:	June 22, 2003- <u>April 10, 2004</u>	April 12, 2004- <u>March 31, 2005</u>	April 1, 2005- <u>March 31, 2006</u>
Total Reported Costs	\$ 134,379	\$ 711,167	\$ 920,443
<u>Review Adjustments</u>			
Indirect Costs (Note 1)		\$ (954)	\$(13,956)
Fixed Fee (Note 2)	\$ 955	660	4,984
Total Review Adjustments	\$ 955	\$ (294)	\$ (8,972)
Total Reviewed Costs	<u>\$ 135,334</u>	<u>\$ 710,873</u>	<u>\$ 911,471</u>

The accompanying Notes are an integral part of this report.

Schedule B – Revised

Surveying Solutions, Inc.
Summary of Review – Revised

Contract:	2005-0050	2005-0050	2005-0050
Authorization:	4	5	6
MDOT Job:	Various	77903A	Various
SSI Job:	Various	11377	Various
Period:	August 1, 2005- December 31, 2004	April 1, 2006- January 31, 2007	April 1, 2006- April 18, 2007
Total Reported Costs	\$ 345,083	\$ 105,391	\$ 602,339
<u>Review Adjustments</u>			
Indirect Costs (Note 1)	\$ (6,316)	\$ (1,499)	\$(2,715)
Fixed Fee (Note 2)	907		
Total Review Adjustments	<u>\$ (5,409)</u>	<u>\$ (1,499)</u>	<u>\$ (2,715)</u>
Total Reviewed Costs	<u>\$ 339,674</u>	<u>\$ 103,892</u>	<u>\$ 599,624</u>

The accompanying Notes are an integral part of this report.

Schedule C – Revised

Surveying Solutions, Inc.
Summary of Review – Revised

Contract:	2005-0050
Authorization:	10
MDOT Job:	Various
SSI Job:	Various
Period:	January 1, 2007- <u>August 31, 2007</u>
Total Reported Costs	\$ 113,810
<u>Review Adjustments</u>	
Indirect Costs (Note 1)	\$ 4,448
Fixed Fee (Note 2)	<u>2,217</u>
Total Review Adjustments	<u>\$ 6,665</u>
Total Reviewed Costs	<u>\$ 120,475</u>

The accompanying Notes are an integral part of this report.

Surveying Solutions, Inc.
Notes - Revised
Contract 2003-0132, Authorizations 2, 7, and 9
Contract 2005-0050, Authorizations 4, 5, 6, and 9

1. Section 16 (c) of Contracts 2003-0132 and 2005-0050 state that MDOT is to reimburse SSI for a pro-rated portion of the actual indirect costs incurred by SSI. The contracts also state that costs reported by SSI to MDOT, including the indirect costs, are subject to Title 48, Part 31 of the *Code of Federal Regulations (CFR)* cost criteria.

SSI calculated and submitted indirect cost rate computations to MDOT for the purpose of reporting indirect costs under its contracts with MDOT. SSI submitted, and we accepted for the purpose of finalizing these contracts only, an overhead costs rate of 175.13 and 175.58 percent for the fiscal years ended January 31, 2004 and January 31, 2005; respectively.

We also reviewed the indirect cost rate computations SSI submitted for its fiscal years ended December 31, 2005 through December 31, 2009 and adjusted the underlying overhead costs for unallowable compensation costs, re-classification of overtime premium costs between direct and indirect cost accounts, and unallowable depreciation costs. The following table summarizes the results of our review:

<u>Fiscal Year Ended</u>	<u>SSI Submitted Rates</u>	<u>OCA Reviewed and Accepted Rates</u>
January 31, 2004	175.13%	175.13%
January 31, 2005	175.58%	175.58%
December 31, 2005	176.51%	167.21%
December 31, 2006	175.80%	171.33%
December 31, 2007	176.33%	187.89%
December 31, 2008	179.25%	172.31%
December 31, 2009	180.45%	184.31%

The above referenced contracts also state that the amount of indirect cost payment to SSI from MDOT is to be calculated based on indirect costs rates applied to SSI's direct labor costs. SSI reported indirect costs to MDOT based on a provisional rate applied to the direct labor costs. OCA applied the accepted indirect costs rates shown above to the applicable direct labor costs, resulting in a decrease to reported indirect costs by a net total of \$20,992.

Surveying Solutions, Inc.
Notes – Revised (Continued)
Contract 2003-0132, Authorizations 2, 7, and 9
Contract 2005-0050, Authorizations 4, 5, 6, and 9

2. Section 16(g) of Contracts 2003-0132 and 2005-0050 state that MDOT agrees to pay SSI a fixed fee, which is to constitute full compensation to SSI for its profit.

Each authorization for Contract 2003-0132 and 2005-0050 specified a fixed fee. SSI reported fixed fees that did not agree with the fixed fees specified by applicable authorizations. Consequently, we increased reported fixed fees by a net total of \$9,723.